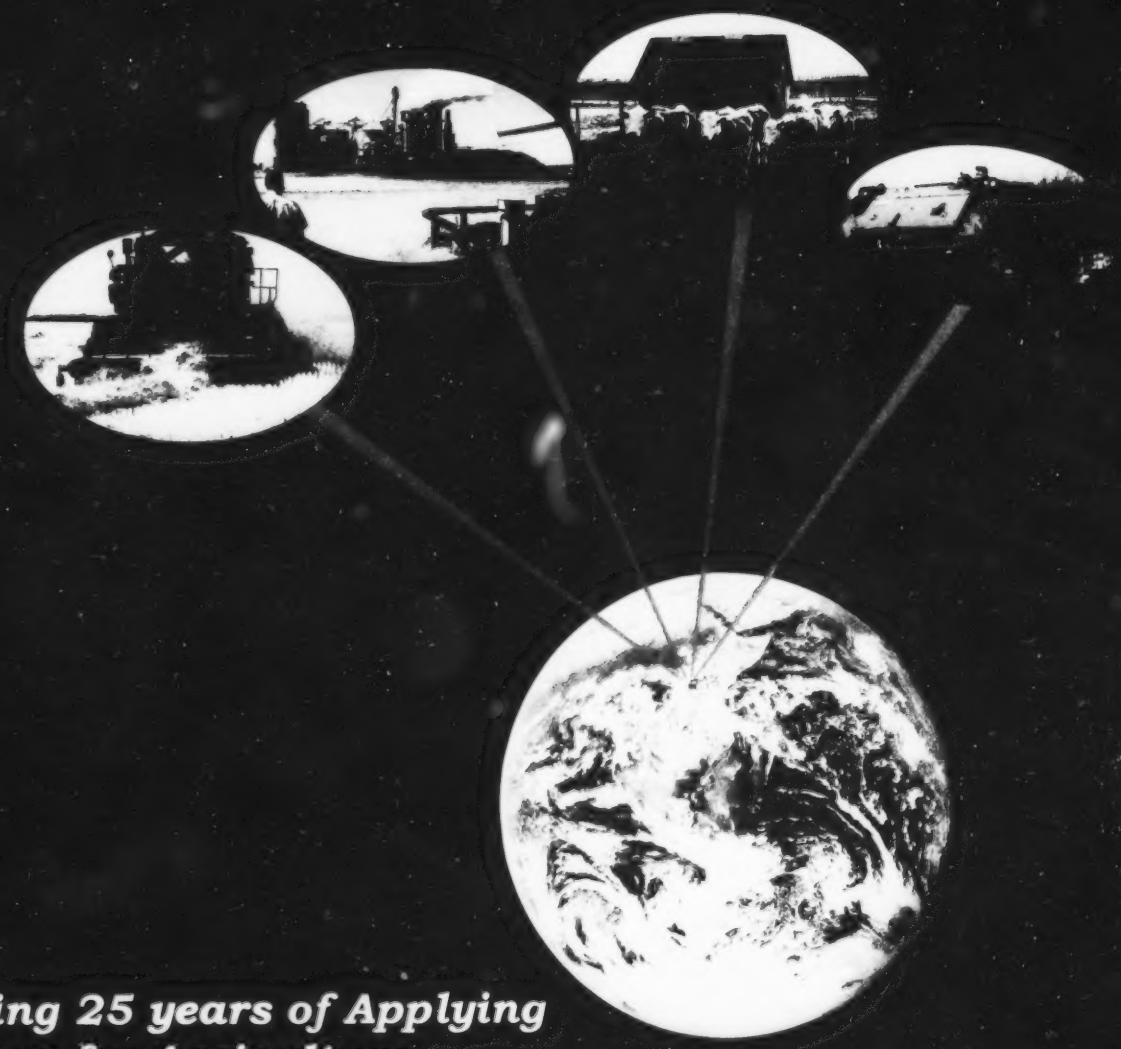
25 Years

PAMI

1975-2000

Annual Report 1999-2000



Celebrating 25 years of Applying Technology for Agriculture

Quality Policy

Provide high quality client services by

Applying technology for agriculture & industry in

Meeting out client's changing needs through

Independent testing services

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PAMI

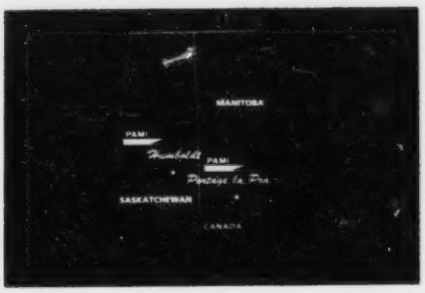
Our Mission:

Applying Technology for Agriculture

We further economic development in Saskatchewan & Manitoba's Agricultural Industries by applying machinery-related technologies.

We provide applied research, experimental development, design, and testing/evaluation services for our clients, who are...

...agricultural producers, machinery manufacturers, agri-processors, and related organizations.



President/CEO's Message

PAMI is in its 25th year of operation. It's good to look back over the years, and see the legacy of dedication, hard work, and professionalism that staff of our organization have created.

Our early years were devoted to performance testing of farm machinery. The direction of agriculture today has given us another mission - applying technology for crop diversification, livestock production, and value-added processing within the Prairies. Our speciality is still machinery. We use our expertise for applied research and experimental development for producer groups, industry associations, and individual firms that will make valuable technology contributions to Prairie farms.

This year we carried out 316 projects for our clients. Our work sought out new, lower cost technologies for operations from seeding to harvest. We also worked hard to develop machinery for some brand new, ultra-specialty crops, and several projects focused on farm safety, one of our key priorities.

The year saw some solid project development in new endeavours including our Crops Processing Development Centre*. We launched our first major projects, which critically depended on the unique capabilities of the facility. We also completed the development of two initiatives for WESTEST; a force and vibration laboratory for rapid durability testing, and a knowledge centre to help local manufacturers address European standards for export of machinery.

We continuously ask our clients about their satisfaction with our service. This year they rated us 9.0 out of 10, an indication of strong, continued performance in meeting their needs.

Project revenues this year are $2.9-million, down 4% from last year. However, lower project revenue didn't prevent us from delivering a modest bottom-line surplus of 2% over expenses. The surplus will be reinvested in service to agriculture over the next few years.

We get our information out to those who can use it in a number of ways including news articles, website postings, mail-outs, and technical articles. This year our information "made the news" once every 3.3 business days in the Prairie region. Our website continues to log heavy traffic, as users from the Prairies and around the world browse through our latest research findings for take-home points of technology or management to implement in their farm businesses or factories. We make it our business not only to do top-quality work, but also to get the results out where they will do some good!

As we look to the future, I can't help but be enthusiastic. Our staff, who have contributed so effectively to Prairie agriculture over the last 25 years, will continue applying technology through top-quality service, and will make a critical difference in agriculture over the coming decades.

I thank our stakeholders, our Board, and our staff for another excellent year.

David Gullacher
President and Chief Executive Officer
Prairie Agricultural Machinery Institute

* Centre constructed under Canada/Saskatchewan Agri-food Innovation Funding

Report of Vice President, Corporate Services

25 Years of Operations

In 1975, PAMI started operations with a mandate "to improve the design, selection and use of agricultural machinery on the prairies". Facilities and staff were assembled in the three supporting provinces and PAMI was on its way.

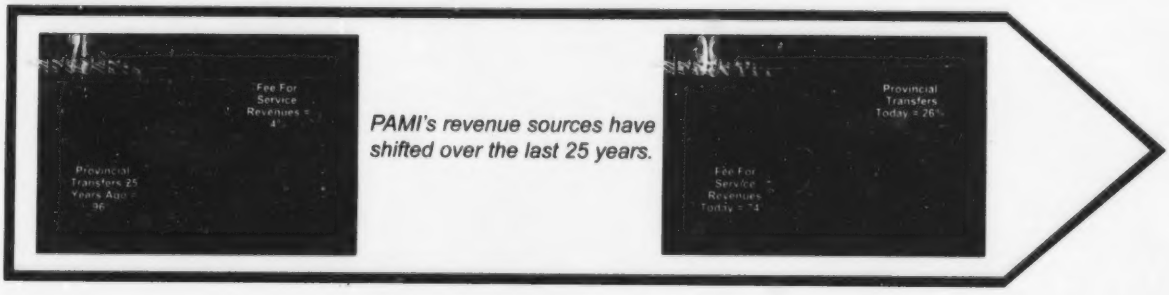
The initial primary focus of PAMI during the first 10 to 12 years was machine evaluations that resulted in a machine evaluation report intended primarily for farmers to use for buying and operating purposes. Machines were evaluated in the actual working conditions that they would be exposed to by a farmer and PAMI reported its findings in the reports. The majority of funding for this program came through provincial transfers from the three supporting provinces. This program put PAMI on the map in the area of farm machinery testing as it was the only facility of its type in North America. The program was very popular with farmers and at one time PAMI had over 14,000 subscribers to its evaluation reports. During the past 25 years of operation, PAMI has published approximately 750 evaluation reports on upwards of 1,000 pieces of farm machinery.

Along with the evaluation program PAMI also conducted machine development and applied research programs. These programs were quite small during the earlier years but have increased substantially over the years. The main focus is on developing new machines and technologies for today's fast changing needs in agriculture. These new and improved machines and technologies that are in use on many farms today are thanks to PAMI's efforts.

The past 25 years of operations have seen a major shift in the sources of PAMI's revenue. During the 1975-1976 fiscal year, 96% of revenues came from provincial transfers while in 1999-2000 26% of revenues were from provincial transfers. The remaining 74% came from fee-for-service projects conducted for PAMI's many clients.

Many changes have taken place over the last 25 years. Today, PAMI is a strong organization, recognized around the world for its expertise in agricultural equipment and technology. The past 25 years will provide a good foundation for the next 25 years of applying technology to agriculture.

Barrie Broad
Vice President, Corporate Services
Prairie Agricultural Machinery Institute


Fee For Service Revenues = 4%
Provincial Transfers 25 Years Ago = 96%
Provincial Transfers Today = 26%
Fee For Service Revenues Today = 74%

PAMI's revenue sources have shifted over the last 25 years.

Letters of Transmittal

PAMI
Applying Technology for Agriculture
www.pami.ca

Humboldt, Saskatchewan

March 31, 2000

Honourable Dwain Lingenfelter
Minister of Agriculture and Food,
Province of Saskatchewan

Honourable Rosann Wowchuk,
Minister of Agriculture,
Province of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2000.

Respectfully submitted,

Tom Lowes, Chairman
Prairie Agricultural Machinery Institute

Honourable Rosann Wowchuk
Minister of Agriculture and Food
Province of Manitoba

Deputy Premier
Minister of
Agriculture and Food

Legislative Building
Regina, Saskatchewan S4S 0B3

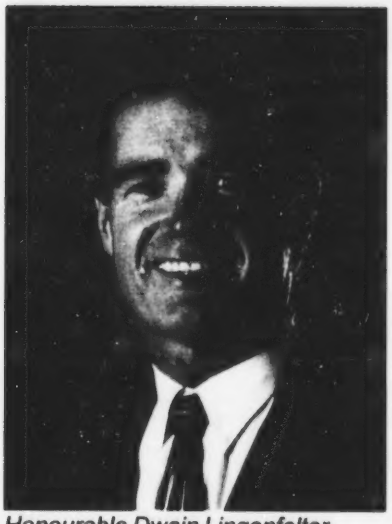
March 31, 2000
His Honour
The Honourable Jack Wiebe
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2000. It includes the Financial Statements duly certified by the Provincial Auditor.

Respectfully submitted,

Honourable Dwain Lingenfelter
Minister of Agriculture and Food



Honourable Dwain Lingenfelter
Minister of Agriculture and Food
Province of Saskatchewan

PAMI at 25 - A letter to Our Stakeholders

The year 2000 marks PAMI's 25th year of operation. Over the last 25 years we have seen a progression in the technology of farming. PAMI has been an important contributor to the diversification of crop production on the Prairies. We are very proud of our traditions of innovation and cutting-edge technologies and we struggle every single day to keep abreast of the latest information. In this "information age" it takes a very dynamic approach to be able to not only know about all the new "things" out there, but to also be able to make those "things" work on a practical level. Our staff members are highly-skilled professionals. But when they come to us at PAMI they soon develop a vast array of experiences and knowledge that puts them into a whole new realm of expertise. We have access to the best and brightest minds available in engineering, agronomy and research and our project teams are staffed by creative, motivated people who are committed to rural development because, in most cases that, is their background and something over which they feel ownership. We live the desire to keep agriculture strong and vital and recognize that it is the backbone of our country.

Sustainability, value-added, diversification, quality control, and efficiency are the urgent calls being heard throughout the agricultural community and those words echo throughout the halls of PAMI's stations over and over again. Since our inception as a central agency for testing and evaluating farm machinery in Canada by a Royal Commission recommendation in 1971, we have really "lived" the term "unique".

PAMI is like no other entity. We have continued to thrive under the different conditions for the last 25 years because investments made in PAMI to advance technology in agriculture are returned manyfold in direct impacts to farmers, equipment manufacturers and processors. The overall objective of the Institute at its inception was to "improve the design, selection, and use of agricultural machinery in the prairie provinces". PAMI has met and exceeded those ambitious goals by assisting industry in developing safer, better, and more efficient farm equipment and by applying research to Prairie conditions and providing data that farmers could readily use to improve their production practices. PAMI provides test results and information on new farm practices directly to the farmers and manufactures, making a difference in the here and now.

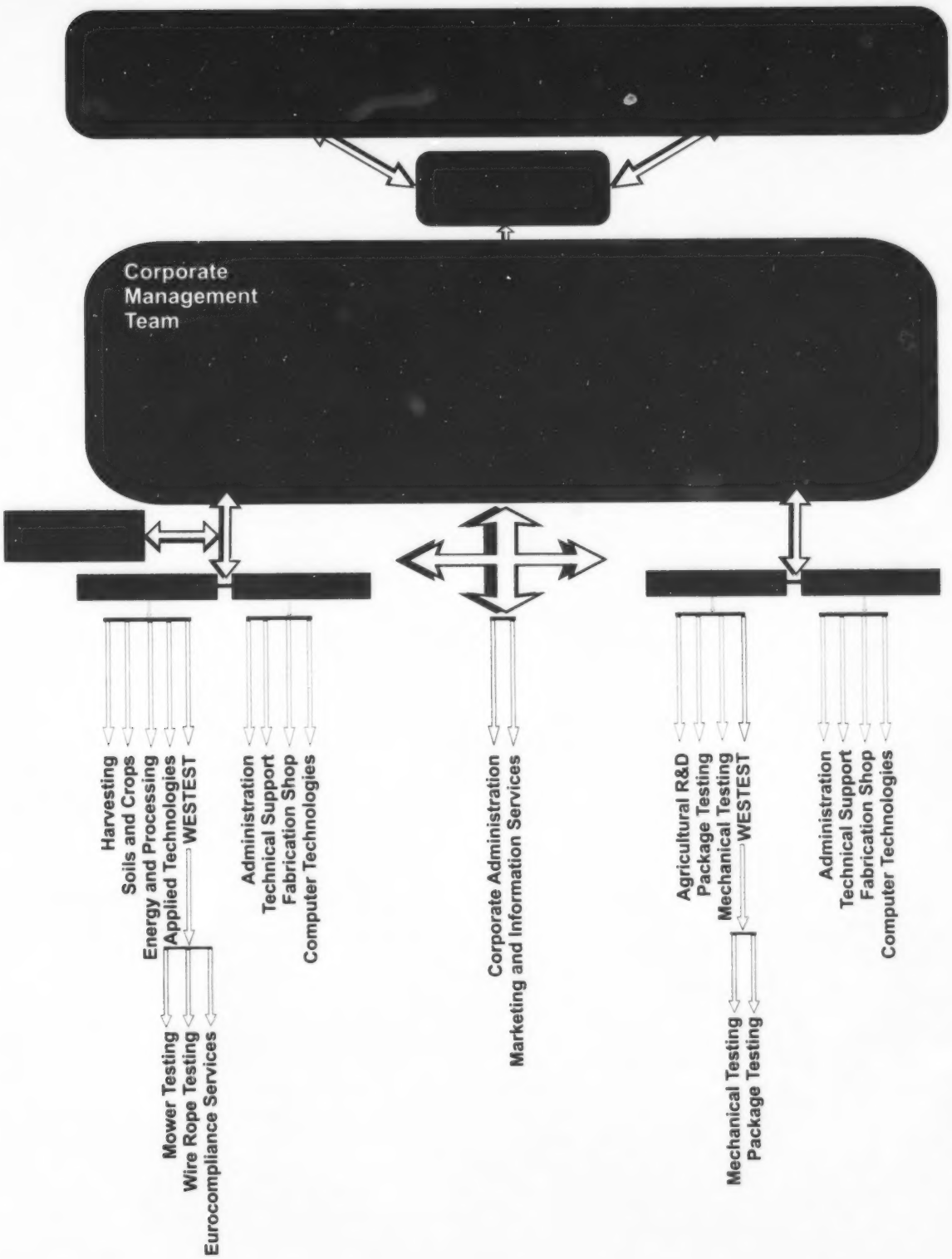
PAMI has the unique opportunity to evaluate ideas and bring the best ones forward for commercialization because of the vision and support from our government leaders and their constituents. Over the last 25 years PAMI has built a core of resources represented by over $7 million in specialized equipment and over 400 person years of experience.

We can't predict what the future will hold but we do know that PAMI's role in the next millennium will be to help agriculture by reducing the production costs of conventional crops and to further crop diversification and value-added processing. As PAMI celebrates its 25th year, we would like to take this opportunity to thank our industry and producer clients and our partners in agricultural research and development for their continued support and encouragement. We pledge to continue working hard for agriculture in this wonderful region - the Canadian Prairies!

Sincerely,

The People of PAMI

PAMI Organizational Chart



Our People: Innovative, Motivated, Skilled, Professional

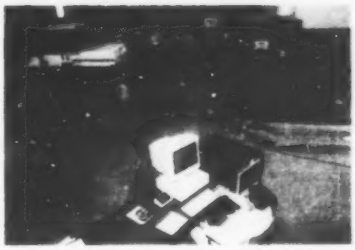
ABREY, Rachel	Administrative Assistant, Administrative Services
BAY, Ted	Supervisior, Shop Services
BOYDEN, Alan	Assistant Manager, Energy and Processing
BROAD, Barrie	Vice President, Corporate Services
BURTON, Gregory	Computer Systems Administrator, Technical Services
CARMICHAEL, Ken	Computer Systems Administrator, Technical Services
CARR, Terry	Project Technician, Package Testing
CLEAVER, Cam	Technician, Shop Services
COLLINS, James	Project Technician, Package Testing
COOK, Murray	Fabricator, Shop Services
CROSS, Errol	Project Technician, Technical Services
DOEPKER, Gordon	Maintenance, Shop Services
DOEPKER, Sharon	Research Librarian, Communications Services
DYCK, Dan	Coordinator, Communications Services
FREDRICKSON, Kris	Project Technologist, Agriculture Research and Development
GRIEGER, Lorne	Project Engineer-in-Training, Mechanical Testing
GULLACHER, David	President/CEO
HAEUSLER, Marina	Supervisor, Administrative Services
HILL, Les	Manager, Harvesting Technologies
HULTGREEN, Gordon	Manager, Soils and Crops
JACKSON, Carol	Assistant, Communications Services
KELLY, David	Assistant Manager, Harvesting Technologies
KELLY, Janette	Office Assistant, Administrative Services
KERNOT, Warren	Technician, Shop Services
KING, Lindy	Administrative Assistant/Quality Assurance Coordinator
KLAPAK, Nelson	Project Engineer, Technical Services
KOSKI, Peter	Fabricator, Shop Services
KRUSHELNISKI, Kyle	Assistant Manager, Applied Technologies
LECHLER, Mark	Project Engineer-in-Training, Technical Services
LEDUC, Philip	Senior Manager, Research and Development
LEPAGE, Dianne	Administrative Assistant, Administrative Services
LISCHYNSKI, Darrell	Manager, Energy and Processing
LOVELL, Perry	Instrumentation//Electronics Supervisor, Technical Services
LUCYSHYN, Troy	Manager, Applied Technologies
MALINSKI, Marilyn	Accounting Supervisor, Administrative Services
MARIANCHUK, Mark	Project Engineer-in-Training, Technical Services
MAY, Douglas	Vice President, Manitoba Operations
PETKAU, Don	Manager, Agricultural Research and Development
RAUERT, Andrew	Fabricator, Shop Services
RUDE, Derek	Project Technologist, Technical Services
SCHOTT, Ryan	Manager, Mechanical Engineering
SMITH, Art	Supervisor, Shop Services
SELLEY, Troy	Project Engineer-in-Training, Agricultural Research and Development
STOCK, Wayne	Assistant Manager, Soils and Crops
SZAUTNER, Laurie	Administrative Assistant, Administrative Services
WASSERMANN, James	Vice President, Saskatchewan Operations

Our Vision: Learning and Growth

PAMI's role has been to apply research and development to agriculture and to do that job PAMI has had to maintain a firm commitment to keeping its staff members informed, accredited, and abreast with all the new technological advances as they have become available.

Computers and their extensive use in our daily lives is an example of how things have changed markedly over the last quarter century. Virtually all the correspondence between employees and clients is handled in some electronic format. Much of our research and testing equipment is computerized and the task of just keeping up with the latest computer software and the many ways to capture and record data has been a huge challenge.

Everyday, PAMI staff are engaged in the learning process just to keep themselves working effectively with their high-tech. equipment. PAMI has shown over the years a progressive approach to obtaining and training staff on the latest computer equipment and software.



Computers have become an important part of the work at PAMI.

Computer literacy is just another tool that PAMI needs to do its job. As computers become even more user-friendly, faster, more powerful, and more capable, the possibilities for further applications to what we do here at PAMI are growing geometrically. In a trip down memory lane over the last 25 years the evolution of our testing abilities has been nothing short of miraculous. Technology has advanced in leaps and bounds and PAMI staff have met the challenge of staying at the cutting edge of the revolution. Predicting what is to come in the next millennium, or what we will need to learn and to develop is a nearly impossible task, but whatever the outlook, we are certain that our talented people will rise to the occasion. They will embrace the future and grow into their new roles with the same enthusiasm, courage and success they showed in tackling the last 25.

Our Values: Integrity, Accuracy, Credibility, Creativity

At PAMI we recognize that our business is innovation. But innovation must be tempered by organizational values in order to succeed. Our service is driven by these values:

- Testing and evaluation services on state-of-the-art equipment
- A commitment to employing the best and the brightest staff members and supporting their creativity and drive for excellence with training opportunities and job satisfaction
- Providing service to a consistent standard of high quality and keeping all our accreditation up-to-date
- Technically outstanding workmanship and testing
- Courteous and respectful service to our clients, shareholders and the communities we live in
- A commitment to meaningful work, a dedication to providing our shareholders and customers with real value for their dollars
- Performance and results oriented professional staff members at all levels
- A strategic approach with a big picture focus to be cost-effective, efficient and an industry leader
- A drive that fosters innovation, creativity and a genuine desire to do a good job

Our Strengths: *Meeting Client Needs Through Applied Research, Creating Innovative Solutions, Leadership in Technology, Testing and Certification*

At PAMI we provide applied research, experimental development, design, testing, and evaluation services for agricultural producers, machinery manufacturers, agro-processors, and related organizations. We provide technical information services to farmers and machinery manufacturers.

Our unique and specific strengths are in:

- Hands-on engineering and agronomic research and field work
- State-of-the-art sensor technologies, data capture and analysis
- Innovative technology design and development
- Testing and evaluation to standards or regulatory compliance
- Information research
- Expertise related to specific agricultural machines and operations
- Specialized knowledge garnered through a dedication to training and skill upgrading
- Technical writing and communication

Art Smith, PAMI Supervisor, Shop Services at Portage la Prairie, carefully checks the standards before proceeding with fabrication work.

Our Commitment to Quality:

PAMI and WESTEST are now ISO 9002 Registered

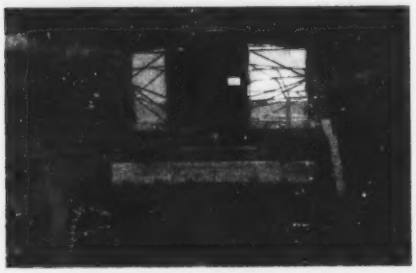
In 1999 PAMI and WESTEST joined the ranks of 22,000 North American companies who have achieved registration to International Standards Organization (ISO) 9002. ISO establishes standardized codes of good management practices for business, with the aim of ensuring that registered organizations can repeatedly deliver services or products that meet the client's requirements.

The quality quest, according to Quality Assurance Manager Barrie Broad, was client driven. "Our record of performance and quality work has meant significant repeat business from our satisfied customers, but contractors that supply large companies and governments are increasingly seeking suppliers who are registered at some level of the ISO 9000 series of standards," says Barrie Broad. "We saw this as an added service to our clients and one that helps to put PAMI and WESTEST on the international trade map."

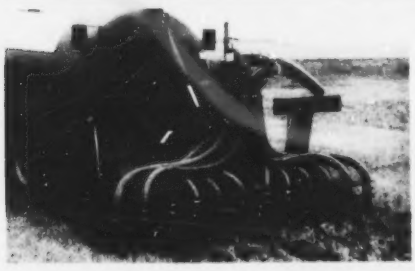
Portage la Prairie - left
Humboldt - right

PAMI - Project Areas

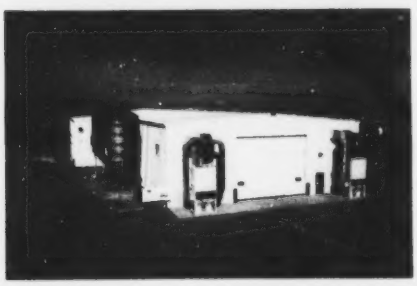
Agricultural Research and Development



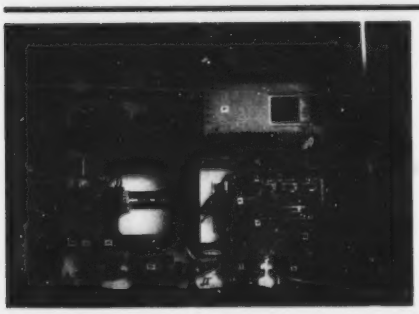
Harvesting



Soils and Crops



Energy and Processing



Applied Technologies

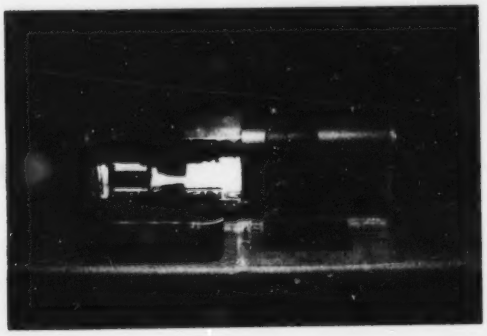
gricultural Research & Development

The Agricultural Research and Development area is focused on assisting the agricultural community in the Prairie provinces.

Research projects are undertaken to develop new solutions to old problems in the livestock industry. New equipment from other parts of the world is assessed or old equipment is used in new ways with the input of new technology. The research and development area also develops manuals which help bring new ideas and new technologies to the farm gate level.

Safety continues to be a high priority for PAMI. We have developed a roll-over protective structure (ROPS) demonstration for Manitoba Agriculture and Food to use at public awareness events. "This is a very important message for farmers," says Cathy Vanstone, Chairman of the Canadian Coalition of Agricultural Safety and Rural Health. "It is a very startling statistic to realize that 21% of all Canadian farm fatalities are the result of tractor rollovers. This project allows us to highlight the need for ROPS on all tractors."

The development and construction of safety displays has helped in the education of the public to the dangers that exist on the farm.



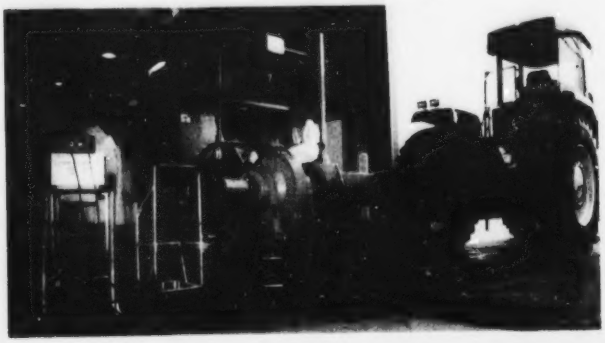
This Power Take-Off (PTO) Shaft display was built by PAMI for Manitoba Agriculture. It provides a very graphical representation of the dangers of becoming entangled in PTOs on farm machinery.

to mechanically harvest
as a shelterbelt species through-
plant can be utilized in the
interested in using these plants as
of this plant is a rather difficult
from the branches, but also be-
reason mechanical harvesting
and speed the process must
and will be testing a

A wide range of projects cross the floor in the Portage la Prairie facility each year. Included are assessments of equipment produced by small agricultural manufactures and even produced in the back shed on the farm. These services will range from engineering design to safety assessments. Field evaluations of equipment for larger agricultural manufacturers help in the production of more durable farm equipment.

"We have had a very busy and productive year," says Manager Donald Petkau. Preliminary results on our manure injection system into natural grass pastures look very promising. There are significant yield increases to be garnered with this fertilizer injection system. There is a real synergy possible in linking forage and hog producers together with this sort of technology. There is a large amount of nitrogen in liquid hog manure that can be readily utilized by nitrogen-deficient grasses. Its a perfect marriage of production practices.

PAMI is the Canadian Designated Authority for OECD tractor testing. This world-wide organization approves performance test reports written by PAMI so that producers from OECD member countries can get information on Canadian built tractors.



"PAMI's OECD tractor testing facility has a water-turbine dynamometer that allows us to accurately measure engine power. We are always making adjustments to this machine" says Doug May, Vice President, Manitoba Operations, "to enable us to meet the changing demands of new high-tech tractors. We also have other equipment including hydraulic and three-point hitch lift capacity measuring equipment and our rented test track and load cart that allow us to measure drawbar performance."

Our expertise directly benefits

This is the prototype leaf harvester for removing the valuable leaves.

Harvesting

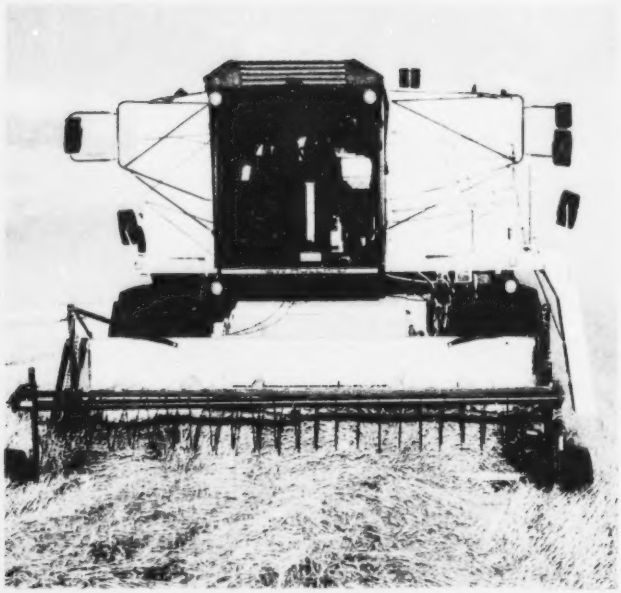
PAMI's Harvesting Division is a leading North American authority in grain harvesting technology and its expertise is sought by many of the major harvester manufacturers.

Manager, Les Hill says, "that unfortunately most of the projects carried out by our division are highly confidential. But, though we can't talk about exactly what our team has been doing by way of testing, we can say that we have had a very busy year. Our personnel's expertise has been put to good use in test equipment development, field-based functional performance testing and in documentation and reporting.

Although our efforts are not as visible as in the past, we are proud to be making a positive contribution toward improving combine capacity and performance that farmers and operators will be able to appreciate in the future."

PAMI's involvement with harvesting can be traced back to the start up of PAMI. In the mid-seventies, the harvest industry was in its heyday. North American production was 40,000 combines per year from as many as eight manufacturers. This was also a time of growth in the size of combines and technology incorporated into the design. Consumers were unable to keep up with what was worthwhile and what wasn't. This made an evaluation program for combines a natural fit.

PAMI looked at what was required for testing in order that the information would be useful to farmers. The actual capacity or functional testing was being carried out by two groups. Test institutes in Europe were doing tests and printing the results while manufacturers were doing their own testing for the purpose of developing their machines.



PAMI adopted the general procedure and supplemented it with a subjective evaluation to give a realistic view of how the machines would operate in our conditions. The PAMI reports on these combines addressed some of the confusion over the Class system of rating combines. The truth of the matter was that there were never any guidelines established for the Class rating even though it has persisted, even until today.

Through working with manufacturers and gaining their trust it was a natural evolution that manufacturers would see the benefit of using PAMI testing expertise to supplement their development programs for new combines or solving existing problems. This led into the development of confidential testing done for clients on a fee for service basis, creating an opportunity for a win-win situation. Manufacturers could accommodate certain conditions unique to Prairie crops before the machine was released; thus the farmer got a better combine and the companies and dealers had greater customer satisfaction with less negative attention. Today this remains the largest part of the harvest program and is a good example of the impact PAMI has made and continues to make behind the scene.

Combine Testing: Then and Now

A yield monitor used in conjunction with a Global Positioning System (GPS) receiver records field and crop information during harvest that can help producers make sophisticated farm management decisions. This was part of a study on Precision Farming.

Over the last 25 years, PAMI's equipment for testing a combine's capacity has evolved radically. The main measurements to determine combine capacity are grain throughput, MOG (material other than grain) throughput and grain loss. There are three main pieces of equipment that PAMI staff use to make these measurements; a small container with load cells in the grain tank determines grain throughput, and a collector which trails behind the combines receives and temporarily holds the MOG and "lost grain". The processor is the third piece of equipment required. Measurement of the material weight over time allows the calculation of MOG throughput in tons per hour. After this measurement is made the material in the collector is run through a processor to separate "lost grain" from the MOG. Tests are conducted at about 7 different throughputs to get a series of points on a capacity graph of "loss vs throughput". Using this data (capacity in tonnes per hour), PAMI staff are able to determine the per cent grain loss of a particular combine setting.

When PAMI started combine evaluations it built a set of test equipment that used a bagging system. This system served us well for many years but it was very labour intensive to run. Harvesting required up to 8 people on test days to run the equipment.

Today PAMI is using a system that was developed based on a concept pioneered by John Deere. This new system offers several improvements over the old system. Firstly, the new system does not use the bag system, instead long conveyer belts inside the test machine can weigh full length batches of material. The processor also has an improved system to speed up the sample cleaning. Overall the equipment has dropped the labour requirement from 8 to 3 people and also improved daily test data by 50%. Down the road, this expertise is expected to be used more and more in adapting harvesting equipment to ensure maximum performance on many of the new and unique specialty crops... will continue to have greater prominence in our provinces. Knowledge acquired in the global arena will certainly be of... use in developing solutions for the coming challenges in harvesting on the Prairies.

Soils & Crops

The Soils and Crops area is dedicated to enhancing crop production efficiencies for Prairie producers by providing the direct, hands-on, practical research and information producers can use immediately.

Value-added and Sustainability are two words that PAMI's project manager Gord Hultgreen takes very seriously. "Our farmers have been impacted by world grain prices and by the changes in grain transportation. The future of agriculture on the Canadian Prairies hinges on innovative agribusiness ideas, on bringing new crops to market and on enhancing production practices to ensure that farmers and their equipment are working as cost-effectively as possible. PAMI has a huge role to play in assisting farmers to meet the challenges of modern farming."

"Recently we have published research updates on comparisons of five side banding openers, modelling and comparing whole crop harvesting systems, and a study that looked into the value in Caragana shelterbelts. These reports are available free for farmers to download off of our website," says Hultgreen. "We also put out a research update on low disturbance liquid manure injection that will help hog producers add value to their hog manure.

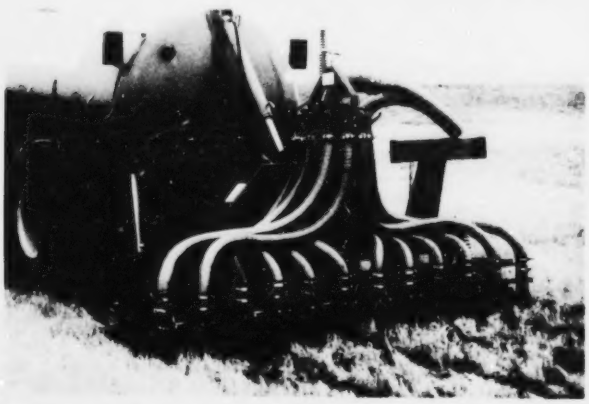
Work is also being done for chemical pesticide manufacturers to ensure their new granular formulations mix properly and effectively in all the various types and temperatures of water. This work is being done on full scale sprayers and equipment to exactly simulate true field conditions."

PAMI and the Saskatchewan Herb and Spice Association worked together to develop a how-to guide so growers can convert field cultivators to row crop cultivators. This type of research gives farmers the ability to reduce production costs because they have the instructions they need to do the necessary equipment modifications.

A research project that was recently completed revealed that processing of grain screenings is required to optimize utilization by livestock. The Saskatchewan grain industry produces 600,000 tonnes of grain screenings each year. Grain companies are making this product available to livestock producers as feed.

Soils and Crops is continuing its work on establishing demonstration plots showing the benefits of hog manure application on crops in the gray and black soil zones. This is the fourth year of an on-going project with the University of Saskatchewan's Soil Science Department. The study will evaluate the short term agronomic benefits of hog manure application as compared to conventional fertilizer (urea), and the long term beneficial effects on green house gas emissions and leaching at various rates of application. This is a critical project to ensure that hog manure is used in the most effective and sustainable manner.

A project to improve pipeline manure handling systems was done using components available from the irrigation industry. Pipeline manure handling systems are becoming popular for moving large amounts of manure long distances from the manure storage to the manure injector.



A three-year grassland project investigated the use of low disturbance manure injection equipment. The equipment shown above can be used to fertilize grass and forage crops without causing surface roughness or damaging existing stands. Results to date have been dramatically positive and a final report is currently being prepared to give farmers the information they need to make this work for them.

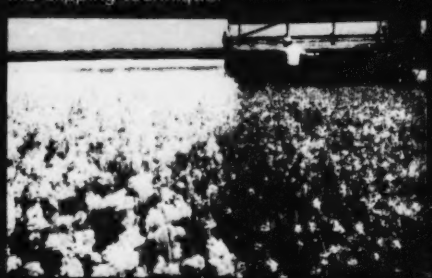
Soils and Crops has been working on a number of hog manure management projects including a study involving the benefits of post-emergent application of swine manure on wheat. The low-disturbance manure openers developed by PAMI under a prior Agriculture Development Fund project are being used to apply manure to wheat at various stages of growth after emergence. The objectives are to enhance crop value by boosting protein and to provide another window of opportunity for beneficial manure utilization. This particular project is in its first year.

Improving profitability

In 1999 Soils and Crops began working with the Marysburg Chapter of the Organic Crop Improvement Association (OCIA) to develop and adapt equipment for removing weed tops from low growing crops. The objective was to remove taller weed foliage and immature seedpods without using chemicals. Organic growers want to reduce weed seed contamination and help low growing crops gain a competitive advantage against weeds. The Agriculture Development Fund in Saskatchewan will be supporting this and three other new projects aimed at emerging farm commodity sectors and improving profitability for grain farmers.

Assessing a flail for use in mechanical weed removal

Weed counting was done in the follow-up years to determine the performance of the clipping technique.

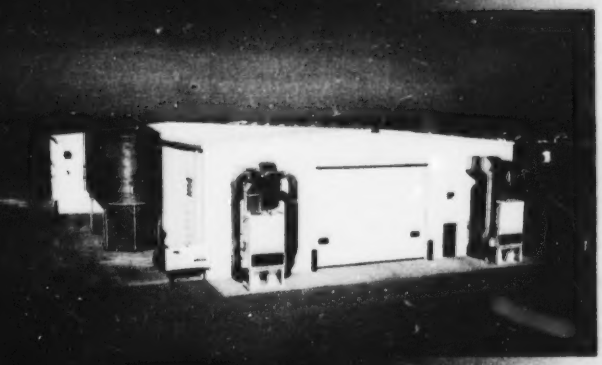


Mechanical removal of wild mustard from a non-competetive crop.

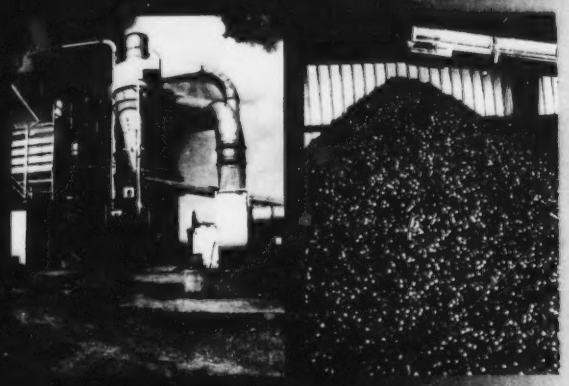
nergy & Processing

opment

In 1999, PAMI completed construction of its new Crops Processing Development Centre at Humboldt, Saskatchewan. The concept facility was developed in cooperation with the Agriculture and Bioresource Engineering Department of the University of Saskatchewan and POS Pilot Plant Corporation.



The facility was constructed and equipped with funding from the Canada-Saskatchewan Agri-Food Innovation Fund and the Saskatchewan Strategic Initiatives Fund. The 70' x 115' (21 x 35 metres) facility and attached 70' x 70' (21 x 21 metre) storage area was built with an interior liner for cleanliness, a 600V three phase electrical service, a boiler for process steam generation, a dust control system, and a large natural gas supply. Some processing equipment has also been obtained, with more to be acquired in the future. The facility also includes various conveyors, scales, and other test equipment.



of work PAMI

Soon after the Crops Processing Development Centre was built, it saw its first processing projects. PAMI did a study on determining if farm scale pre-cleaners could be used to add value to grain. Lab tests were done on three pre-cleaners to determine their operating characteristics. Results from these tests were used to perform an economic analysis on their use in different situations. It was found that if the pre-cleaners are used to clean grain without improving its grade, the economics are questionable, but if the grade is improved during cleaning, there is a significant economic advantage to using them.

with a local group to a farm dryer. This designed that would amount of the crop to previous and spice that can placed on and loader, and then initial tests quality is users have trying using

The department's work continues to lead us into areas such as food and non-food processing, waste management, value-added processing, ag residue collection, transportation, and economics. Over the years we have gathered and analysed information from a variety of processes, gaining considerable experience in material storage, drying, handling, conditioning, transport, size reduction, compaction, sorting, washing, and mixing.

We've also been active in the design, engineering, and modification of equipment in the food and non-food agricultural sectors. In this area, we have a definite advantage. Our data acquisition equipment complements the design skills within the organization.

Gathering data in-situ at the plant site, on mock up equipment, or on lab scale equipment allows us to reduce risk in the development process by eliminating uncertainty or revealing unknown factors which will determine the effectiveness of the equipment. We do not have to rely on second hand empirical data or best guess scenarios, " says Manager Darrell Lischynski.

"Strong in-house fabrication capabilities strengthen our position within the industry. It allows us to construct most equipment in-house with stringent quality control procedures under client directed levels of confidentiality," says Manager Darrell Lischynski.

Work continued this ye
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straw chopping, and on
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using liquid manure for
advantage over curre
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Manure agitation de

pplied Technology

The Applied Technologies Group is setup to deliver a wide range of services to our Western Canadian clients. We do it all from initial product brainstorming, to design, prototype fabrication, testing in areas from electronic control systems to full-blown vehicle testing Canadian and International standards.

Applied Technologies' clients typically ask for services that they can't find elsewhere. They know PAMI has the abilities to get the work done promptly and accurately. Requests such as vehicle durability testing that involve driving vehicles thousands of kilometres and determining the vehicle's problems is a natural extension of PAMI's past agricultural evaluations.

Testing has tendency of not only finding out the problem but then assisting the client in solving the problem through numerous methods. Typically once the problem is found, clients want more information to quantify the problem and we have the expertise and equipment to give them the answers they want.

...test equipment that measures the performance of combines. ...multiple sensor inputs, controls a number of hydraulic ... the field operator. This is an example of the unique kinds of ... to suit the needs of an individual client.

"Applied Technologies has fabulous data acquisition equipment and sensors that can quickly be installed in the field and get the necessary data fast," says Project Manager Troy Lucyshyn. "Sensor information such as vibration, sound, force, hydraulic pressure and flow, speed, and torque are just a few measurements possible. Our personnel not only work in laboratory setting but also in locations requested by the client."

Durability tests of armored personnel carrier components on behalf of the Department of National Defense, Canada was a project that was carried out on our all terrain field testing site" says Phil Leduc, Manager, Research and Development.

Safety related compliance testing is a significant portion of the
During the past year the area has been working on industrial
structures (ROPS). Due to the different occupational
the world, sometimes agricultural and industrial equipment
Clients call PAMI because of our 25 year history in this area
design simulation. They know PAMI is able to make their

Rollover protection on smaller tractors are often the two-post type as shown above. Operator seat belts are a critical part of the overall rollover protection system.

WESTEST

WESTEST was created in 1991 to provide access to sophisticated physical testing and product performance evaluation services using modern testing equipment under the direction of professional engineers and technologists. These services add value, reliability, and enhance safety of clients' products and components by subjecting them to tests that simulate field conditions or standardized test procedures in a controlled environment. Prior to the establishment of WESTEST, manufacturers had to use laboratories in Eastern Canada or the USA for these kinds of services.

The need for WESTEST was initially envisioned by a group of industry members in association with PAMI. They pooled their resources together with funding from Canada's Western Diversification Office to create this unique testing facility in Western Canada.

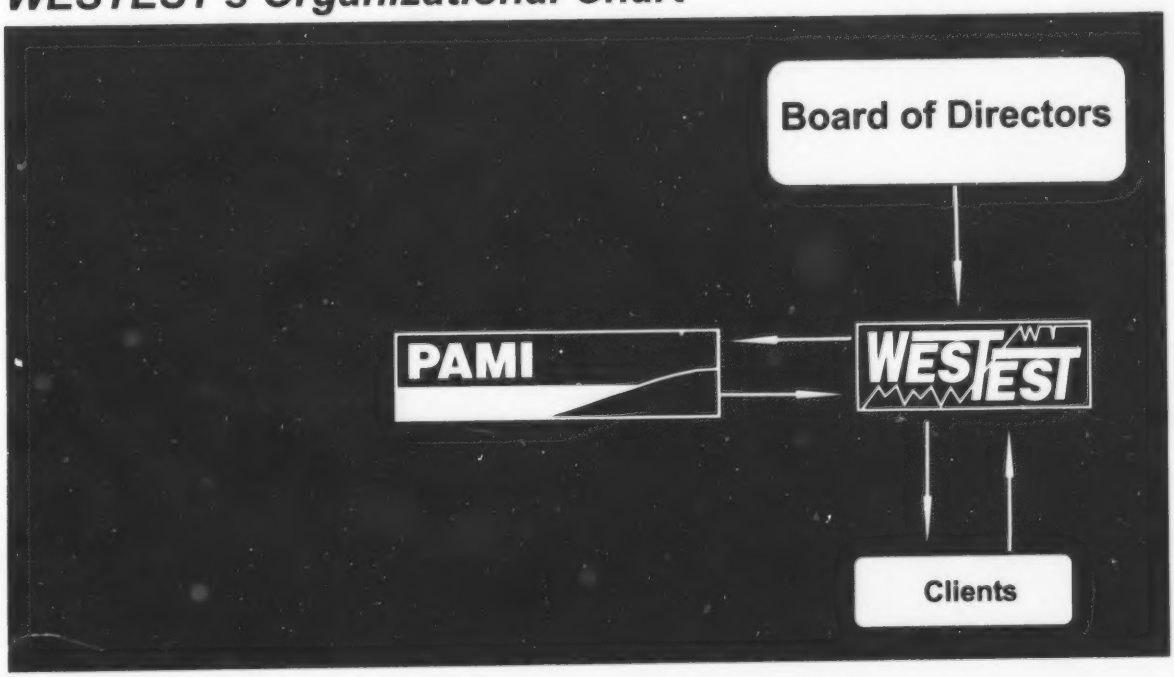
WESTEST is owned by majority shareholder PIMA (Prairie Implement Manufacturers Association), and four others: Manitoba Hydro, Saskatchewan Mining Association, Case Corporation, and John Deere. Management and technical services for ongoing programs and activities are provided by PAMI through a management contract. WESTEST also shares facilities with PAMI.

Because of the sensitive nature of much of its work, confidentiality and security are key considerations for WESTEST.

WESTEST offers the following services: Mechanical Testing, Package Testing, Eurocomplicance, Mower Testing, Noise Measurement Testing, Wire Rope Testing and Stress Measurement Analysis.

Projects were conducted in each of these areas in 1999-2000. However, WESTEST is committed to protecting the confidentiality of our client's individual projects and therefore Managers cannot showcase any particular tests or results.

WESTEST's Organizational Chart



Eurocompliance

WESTEST's Eurocompliance service is specially suited to agricultural machinery manufactures exporting to Europe. Prior to exporting to Europe, manufacturers must ensure their products meets the stringent essential health and safety requirements as defined by the European Unions Machinery Directive (Law). WESTEST is able to assist Prairie manufacturers through the European law maze of the Machinery Directive. Assistance can be in the form designing according European standards, proper documentation, or testing to the correct standards.

This $350,000 initiative (funded 90% by government, 10% by industry) is now developed and is being actively marketed. Although there have been a few early callers for some assistance in this area, we expect to be able to sell considerably more of the team's services over the next few years. This project involved massive knowledge development by the implementation team, because most of what will be sold is a knowledge-based service.

Mower Testing

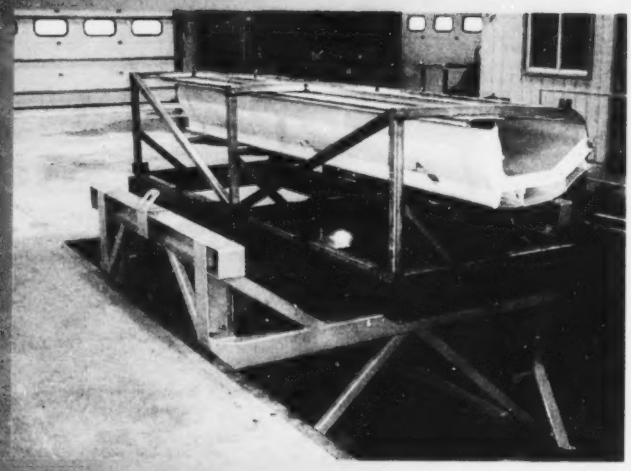
Mower testing involves subjecting a mower to tests defined by the Society of Automotive Engineers (SAE) or the Canadian/American Society of Agricultural Engineer (C/ASAE) standards. Mower manufacturers test to these voluntary standards to ensure their products are safe to the public. WESTEST became involved in mower testing to ensure small mower manufacturers had the opportunity to ensure their products were safe.

Here is the result of one of the mower tests. The mower while in operation drops upon a 2 inch diameter steel pin. The mower must operate for two seconds without damaging the mower in a manner that may be dangerous to the operator or a bystander.

Mechanical Testing

With a grant provided by Canada's Western Economic Diversification Office for $660,000 in June, 1999, Mechanical Testing was able to upgrade it's Force and Vibration Simulation Lab.

"The farm equipment and vehicle manufacturing sectors have been growing at a rate of about 25% over the past five years, and these two sectors alone now have total annual sales in excess of $4 billion," says WESTEST President/CEO David Gullacher. "It is critical for us to have this state-of-the-art technology available to assist these manufacturing companies in getting their products to market."

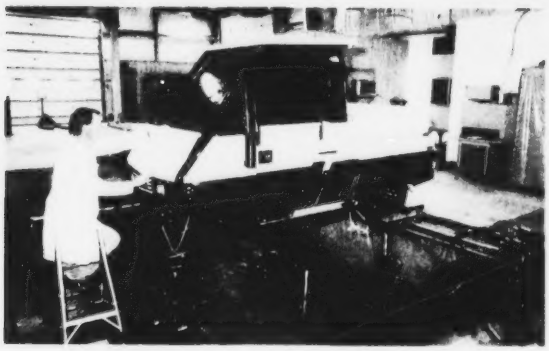


"Using our Vibration Table and new real-time Remote Parameter Control (RPC) simulation software we can assess the durability of a component or whole machine right in the lab. This state-of-the-art piece of equipment allows us to reproduce in-service loads exactly. We can quickly pinpoint any flaws or problems with new designs so that manufacturers can make design modifications," says Ryan Schott Manager for Mechanical Testing. "This is invaluable because it allows them to quickly and cost-effectively test and bring onto the market durable, reliable equipment and parts."

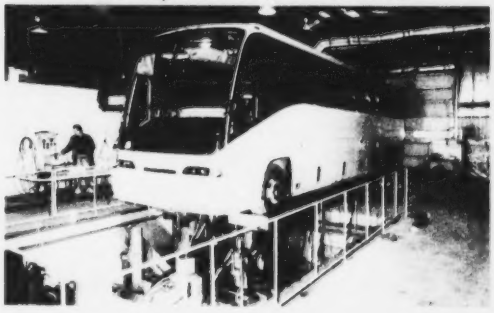
How does the RPC process work?

The Remote Parameter Control (RPC) process first collects data in the field and then the computer simulates those field conditions exactly in the lab. Besides the obvious advantage of being able to work regardless of weather conditions, this system has the added benefit of allowing the operator to cut out the "low damaging" data and just retain the more severe events. Doing this accelerates the testing process immensely. Once the RPC is programmed the same scenario can then be played over and over again on different component or machinery designs to map the responses for the client.

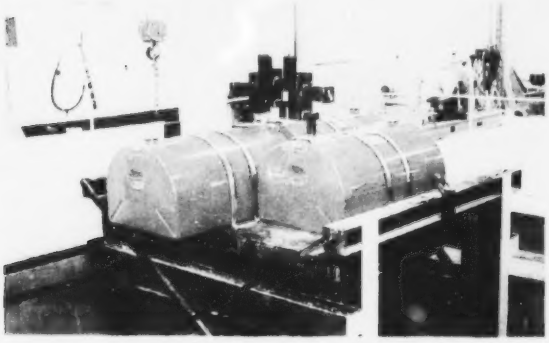
"We can simulate fatigue-loads and vibration loads over the life-span of their product and give them immediate results and drastically reduce their product development cycle. Tests can be done in a matter of weeks in the lab and yet test the components as if the machine were in service for several years. The alternative is using a test track and a whole vehicle for component testing. What tends to happen with that kind of testing is that it is difficult to isolate what you are testing. Doing component testing in the lab reduces all the costs associated with building whole machine prototypes and all the other problems associated with prototype vehicles, not the least of which is cost. This new equipment also allows us to eliminate the other problems that may occur with the test product unrelated to the component under evaluation; we don't need to have the whole machine shipped to us either. But the best thing is that this simulator allows clients to get their products on the market sooner with fewer design problems. They can beat their competition to the marketplace and they can compare different designs quickly and efficiently to reduce their manufacturing and warranty costs without sacrificing quality or durability," says Ryan Schott Manager for Mechanical Testing.



The RPC process gives us four channels of control - the system could reproduce lateral forces (side to side), vertical loads (weight-bearing over bumps on two separate wheels), and fore and aft forces (typically braking effects) simultaneously on a vehicle component and this can be done all at once to simulate test track or in-service conditions. The advantage to this system is that the relationship between all four load inputs can be reproduced exactly in the lab as they were recorded in the field and we can then put several designs through the exact same stresses and map the results for our client.

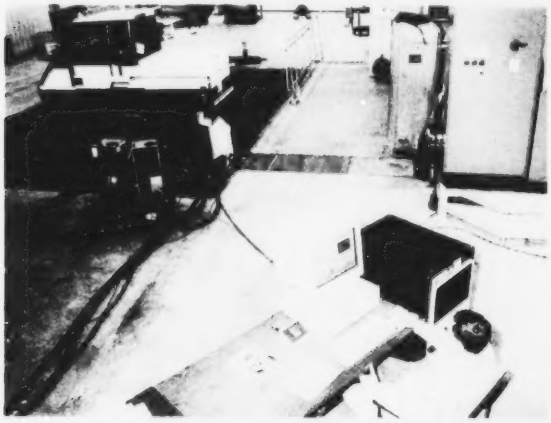


Our testing facility has a large pit area that allows us to test huge pieces of equipment such as this new bus design. We have 50 x 100 feet of space and 18 feet of headroom inside the pit area and 14 feet throughout the rest of the building. We evaluated the structure dynamics of this bus to help improve the ride quality.



Fuel tank durability testing allows manufacturers to ensure their products are fatigue-resistant. This assures that these tanks are both environmentally friendly and durable.

"Our new facility is relatively dust-free and has special lighting for photography. This is a really neat feature because we can take a very clear digital photo and email it to our client, get their input and then proceed with the testing a matter of minutes," says Manager Ryan Schott. "It also gives us the opportunity to record events during testing for our clients to evaluate and keep on file for their future reference."



The new MTS Flextest Controller at Portage la Prairie, at left, allows control of the actuator motion to generate the required loading for product testing. The MTS system has 4 channels of control that will allow 4 separate tests or one complex test with 4 channels.

ackage Testing

Packaging, such as this bag, are put through rigorous testing to ensure that they will perform as required by their manufacturer. In cases such as this dramatic bag failure, the bag was subjected to extreme forces to evaluate its breaking point.

The four basic functions of packaging are to contain, protect, preserve, transport, inform/sell. All four of these functions are enhanced through performance testing.

Manufacturers around the world use our test results to evaluate different designs, to meet design standards, or to assist them in marketing their products. We offer design consultation to help guide clients in the development of their packaging. Our knowledge of standards, and industry trends and our vast experience with all types of packaging and packaging material innovations can save our customers big dollars in terms of product design.

Clients can choose the level of security they require to protect their investment in their product design. We strictly adhere to our confidentiality agreements and offer our clients the security of knowing they can trust our staff implicitly.

Package Testing offers testing related services such as container conditioning, design inspection, prototype testing, and standards evaluation to ensure that the package meets or exceeds regulatory requirements.

This environmental chamber allows Package Testing to condition containers and test packages under a variety of temperature extremes. This is one of several methods of assessing the durability of packaging under the different weather conditions.

Our staff make a continuing effort to be current with standards, changes, and industry trends by participating regularly on various industry standards organizations. WESTEST representatives volunteer for the following organization committees:

Canadian General Standards Board (CGSB) - Working Committee for the Transport of Dangerous Goods in Intermediate Bulk Containers

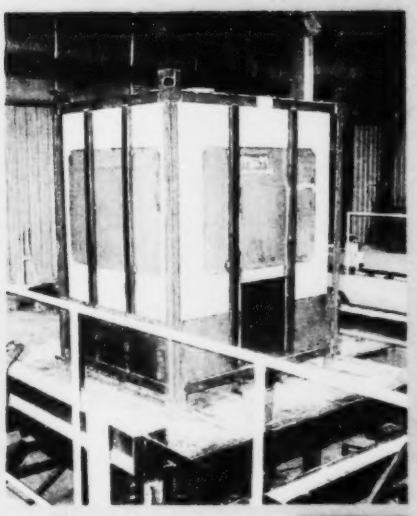
Canadian General Standards Board (CGSB) - Transportation of Dangerous Goods Committee

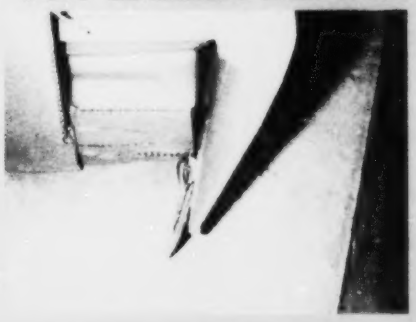
Canadian General Standards Board (CGSB) - Transportation for the Export of Edible Products

International Safe Transit Association (ISTA) - Technical Committee

American Society of Testing and Materials (ASTM) - Committee D10 on Packaging

In addition, WESTEST is a member of the Flexible Intermediate Bulk Container Association (FIBCA) and the Packaging Association of Canada (PAC).



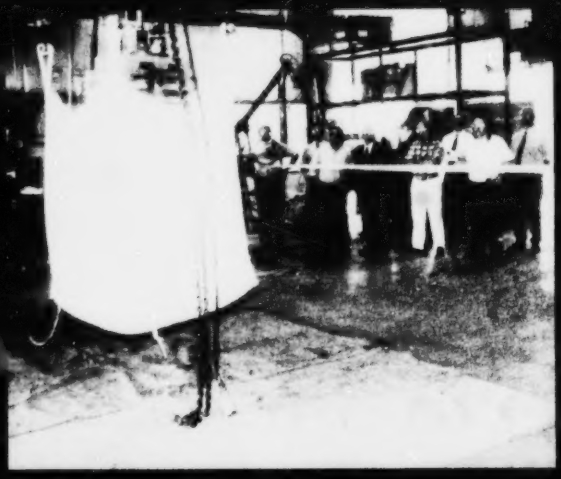


Experience and Service

Package Testing routinely performs tests on containers made from materials such as textiles, plastics, metals, glass, or wood fibres. The types of packaging we can evaluate include bags (paper, fabric and plastic), boxes (corrugated boxboard, paper, fibre), bottles and jugs (plastic, glass), and combination containers (box/bottle, tanks) and other containers such as cans, pails and drums.

It takes a significant complement of testing and monitoring equipment to provide the wide variety of services we offer. Here is a brief sampling of what it takes to service your testing needs:

- Conditioning Room (for controlling and maintaining temperature and humidity)
- Cobb Tester
- Load Cells (50,000 pound capacity)
- Weigh Scale (30,000 pound capacity)
- Instron Tester (for performing tensile, compression, edge crush and tear tests)
- MS-2000 Mechanical Shaker (2,000 pound capacity)
- Vertical Vibration Tester (10,000 pound capacity)
- Compression Tester (30,000 pound capacity)
- Rotary Vibration Tester (2,000 pound capacity)
- LAB Drop Tester (100 pound capacity)
- A selection of test monitoring and data recording devices



A bulk bag is filled to capacity and a force is superimposed on the contents to determine ultimate strength. This helps the client to evaluate their bag design and conformance to testing standards. This is just one of many tests performed on a particular type of packaging such as the bulk bag shown above.

Information Services - Extension & Support

Information services prepares PAMI and WESTEST newsletters each year. PAMI News highlights current PAMI projects and keeps readers informed about upcoming research updates and reports. The goal in publishing WESTEST News is to keep industry informed and to keep the manufacturing sector aware of advances in testing equipment and technology as it impacts industry.

Information services uses the research work generated by PAMI Managers to develop Research Updates. Each Research Update is a concise description of the findings generated by the researchers. The information is presented in a user-friendly, easy-to-read format that farmers can use to garner facts that are important to their farm production practices and equipment buying decisions.

Publications

PAMI has published over 750 reports on farming equipment and technologies and over 3,500 recommendations to manufacturers for improvements to operation, function, and safety of tested machinery. We have also completed over 900 research and development project reports for manufacturers, producer groups, and government departments. PAMI has ten patents and six respected how-to manuals and guidebooks published, with two more on the way. More recently PAMI has developed an expert computerized manure management system and registered a trademark.

PAMI creates unique how-to manuals that contains the type of information that Canadian farmers are seeking to help them maximize productivity and minimize expenses. For every dollar spent on doing the research and providing the information to farmers, PAMI leverages $10 to $50 of impact for farm and machinery manufacturing businesses.

Support Services

PAMI is an organization whose many successes can be attributed to hard work by a wide network of employees. PAMI personnel work as a chain, with the managers like the hook that anchors us to the clients. The support staff are links in the chain that lead back to the success and growth of PAMI. Each one is responsible in some way for this success in the same way as a chain must be unbroken to pull its load. The first line of contact with clients is often the friendly, efficient voices of our Administrative Services staff. The professionals in the Administrative area field calls, direct inquiries to the right area, and keep track of staff while carrying out a myriad variety of tasks.

Our Quality Assurance people achieved ISO 9002 registration through a great deal of work. All staff work under and with these policies and procedures, but someone must keep track of all the information and make sure milestones are met. Information flows from the library to internal users, and also to a wide variety of external users – farmers, manufacturers, students, and researchers. The library is no longer just a source of print materials -Internet and CD-ROM databases form a major part of our resources. Information searching now can be done on a global scale right at PAMI.

Electronics and Computer Services keep our computers and our electronic data aquisition equipment updated and calibrated and running efficiently. These professional and highly skilled staff members make a very important contribution to all aspects of running PAMI.

Technical Services and Shop Services each make very important contributions to actually getting the projects done at PAMI. These experienced and well trained personnel are amoung our best assets and their "can do" attitude is sincerely appreciated.

The PAMI chain is forged from a strong staff relationship, each doing their part to keep the chain unbroken.

PAMI

Corporate

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Management's Responsibility for Financial Statements

The Financial Statements and other related financial information contained in the annual report are the responsibility of management and have been approved by PAMI's Board of Directors.

Preparation of these statements has been done according to generally accepted accounting principles in Canada. Financial data elsewhere in the annual report is consistent with information contained in the annual report.

PAMI maintains a system of internal controls designed to provide reasonable assurance that the financial information is reliable and that the corporate assets are safeguarded. The Provincial Auditor for Saskatchewan is appointed by legislation to annually audit the accounts and financial statements of PAMI. His report follows.

David Gullacher,
President/CEO

Barrie Broad,
Vice President
Corporate Services

FOR AGRICULTURE

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

FINANCIAL STATEMENTS

For the Year Ended March 31, 2000

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Prairie Agricultural Machinery Institute as at March 31, 2000 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Prairie Agricultural Machinery Institute as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 5, 2000

G. F. Wendel, CMA, CA
Acting Provincial Auditor

Statement 1

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
BALANCE SHEET
As at March 31

	2000	1999
ASSETS		
Current:		
Due from General Revenue Fund (Note 3)	$ 125,148	$ 471,011
Short-term investments	329,722	314,780
Accounts receivable	1,161,565	866,750
Prepaid expenses	41,829	48,427
	1,658,264	1,700,968
Restricted cash	34,635	34,635
Capital assets (Note 4)	2,893,763	2,638,859
	$ 4,586,662	$ 4,374,462
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	$ 47,791	$ 18,480
Accounts payable and accrued liabilities	307,560	385,475
Unearned revenue	194,929	423,826
	550,280	827,781
Deferred capital grants (Note 5)	1,772,438	1,370,907
Due to Government of Alberta (Note 6)	81,451	85,201
	1,853,889	1,456,108
	2,404,169	2,283,889
Net assets (Statement 2)	2,182,493	2,090,573
	$ 4,586,662	$ 4,374,462

Statement 2

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended March 31

	Budget (Note 11)	2000	1999
Revenue			
Provincial transfers:			
Saskatchewan - General Revenue Fund - Department of Agriculture and Food	$ 768,000	$ 768,000	$ 768,000
Manitoba - Consolidated Fund - Department of Agriculture	332,500	332,500	332,500
	1,100,500	1,100,500	1,100,500
Fee for service	3,220,344	2,938,692	3,046,600
Subscription income	26,000	80,078	29,364
Government Capital Grants (Note 5)	—	72,262	6,864
Investment income	26,000	53,703	32,100
Other income	7,315	2,411	11,168
Total revenue	4,380,159	4,247,646	4,226,596
Expenses			
Salaries	2,029,510	2,064,656	1,988,085
Operating	2,139,462	1,896,107	2,013,669
Amortization	125,000	194,963	137,292
Total expenses (Schedule 1)	4,293,972	4,155,726	4,139,046
Excess of revenue over expenses	86,187	91,920	87,550
Net assets, beginning of year	2,090,573	2,090,573	2,003,023
Net assets, end of year (Statement 1)	$ 2,176,760	$ 2,182,493	$ 2,090,573

Statement 3

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended March 31

	2000	1999
Cash flows from operating activities:		
Cash receipts from customers	$ 2,381,478	$ 3,240,221
Cash receipts from General Revenue Fund	768,000	768,000
Cash receipts from Manitoba	332,500	332,500
Cash paid to suppliers and employees	(4,033,785)	(4,087,289)
Investment income	53,703	32,100
Other cash receipts	2,411	11,168
Cash flows from operating activities	(495,693)	296,700
Cash flows from investing activities:		
Purchase of capital assets	(456,890)	(1,323,813)
Proceeds from sale of capital assets	2,137	1,544
Cash flows used in investment activities	(454,753)	(1,322,269)
Cash flows from financing activities:		
Receipt of capital grants (Note 5)	590,214	1,231,526
Increase (decrease) in bank loan	29,311	(79,731)
Cash flows from financing activities	619,525	1,151,795
Net (decrease) increase in cash and cash equivalents	(330,921)	126,226
Cash and cash equivalents, beginning of year	785,791	659,565
Cash and cash equivalents, end of year	$ 454,870	$ 785,791
Cash and cash equivalents consist of:		
Due from General Revenue Fund	$ 125,148	$ 471,011
Short-term investments	329,722	314,780
	$ 454,870	$ 785,791

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2000

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies of the Prairie Agricultural Machinery Institute (Institute) are as follows:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Short-term Investments

Short-term investments are recorded at cost which approximates their fair market value.

c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method of amortizing capital assets over their expected useful life. The following rates have been used in applying this policy:

Building	5%
Equipment	10%
Furniture	10%
Vehicles	10%
Computer equipment	30%

d) Unearned Revenue

Unearned revenue consists of subscription and fee for service revenue that will be earned in future periods. These amounts are included in income when revenue is earned.

e) Deferred Grants

Contributions that are restricted for a specified use are initially deferred and are recorded as revenue when the related expenses are incurred. Contributions for capital assets are deferred until the assets are put in use and amortized. The amount of revenue that is recognized is equal to the amount of amortization charged for the capital assets.

f) Fee for Service Revenue

Fee for service revenue on contracts is recognized using the percentage of completion method.

g) Funding

The Institute's operations are funded by Saskatchewan and Manitoba according to an agreement between the two provinces.

The Institute, in accordance with the authority included in Order in Council 1800/79, follows the policy of retaining any excess of revenue over expenses.

On wind-up, any net assets will be divided among the two provinces in proportion to their share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

2. Incorporation

The Institute is a body corporate under *The Prairie Agricultural Machinery Institute Act, 1999*. The affairs and business of the Institute are managed by the Prairie Agricultural Machinery Institute Board (Board).

The purposes of the Institute are:

a) to test and appraise under actual or simulated working conditions, machinery and electronic equipment used or intended to be used in the agriculture or food industries;

b) to undertake research and development projects to improve and develop machinery and electronic equipment for agricultural or food industries use;

c) to publish such reports, pamphlets and bulletins as are consistent with the intent of the Act; and

d) to perform such additional functions as may be determined by the Board to be consistent with the objectives of the Institute.

3. Due from General Revenue Fund

One of the Institute's bank accounts is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Institute's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate (2000 average rate – 4.79%; 1999 average rate – 5.04%) and the Institute's average daily bank account balance.

4. Capital Assets

	2000			1999
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 3,176,515	$ 1,568,346	$ 1,608,169	$ 1,630,971
Equipment	1,653,132	906,064	747,068	568,296
Land & improvements	228,647	—	228,647	225,962
Furniture	189,606	160,010	29,596	30,509
Vehicles	243,569	145,305	98,264	29,969
Computer equipment	289,225	172,570	116,655	87,788
Building under construction	65,364	—	65,364	65,364
Total	$ 5,846,058	$ 2,952,295	$ 2,893,763	$ 2,638,859

5. Deferred Capital Grants

During the year, the Institute received contributions of $300,214 (1999 - $1,006,525) from the Agri-Food Innovation Fund (AFIF), $225,000 (1999 – $225,000) from the Department of Economic and Co-operative Development, and $65,000 (1999 - $0) from the Agriculture Development Fund. An additional amount of $29,817 (1999 - $146,245) is receivable from AFIF at year-end. These amounts are to build and equip the Humboldt Crops Processing Centre. The Institute recorded $72,262 (1999 - $6,864) as revenue equal to the amount of amortization recorded for the Centre.

6. Due to Government of Alberta

Effective March 31, 1988, Alberta terminated its participation in the original agreement dated October 1974. This agreement established the Institute as a collaboration of the provinces of Saskatchewan, Alberta and Manitoba. As part of the termination, the Institute agreed to transfer to Alberta 35% of the Institute's net assets as at March 31, 1988. The amount owing to Alberta is $81,451 (1999 - $85,201). The Institute is discharging this liability by performing services for Alberta.

7. Commitments

The Institute has agreed to provide monetary and in-kind contributions for several research and development contracts entered into in 1999/2000. The commitments at March 31, 2000 amount to $26,300 (1999 - $10,957).

8. Financial Instruments

a) Significant terms and conditions

Significant terms and conditions related to financial instruments may affect the amount, timing and certainty of future cash flows. When such significant terms and conditions exist, they are described separately in the financial statements and the notes thereto.

b) Fair value

For certain of the Institute's financial instruments including:
i) due from General Revenue Fund
ii) short-term investments
iii) restricted cash
iv) accounts receivable
v) bank indebtedness
vi) accounts payable and accrued liabilities

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

c) Credit risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The Institute has entered into contracts with both the federal and provincial governments. The Institute has also entered into contracts with private organizations and individuals. The credit risk on these accounts receivable is minimal. All accounts considered uncollectible are included in an allowance for doubtful accounts.

d) Interest rate risk

The Institute is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. The Institute's receivables from governments are non-interest bearing. Receivables from private organizations and individuals bear interest at two percent. The Institute's payables are non-interest bearing.

e) Currency risk

The Institute is exposed to currency risk when the value of its financial instruments held in U.S. currency fluctuates. This occurs due to changes in the value of the U.S. dollar relative to the Canadian dollar. At March 31, 2000, the Institute had accounts receivable of $60,760 (1999 – none) converted to Canadian dollars at year end at a conversion rate of 1.4495.

9. Related Party Transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Institute is related to non-Crown enterprises that the Government jointly controls or significantly influences.

a) Operating Activities

Routine operating transactions with related parties are recorded at the standard rates charged by these organizations and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2000	1999
Fee for service revenue	$ 471,570	$ 293,755
Operating expenses	312,326	371,162
Accounts receivable	189,509	152,358
Accounts payable and accrued liabilities	7,309	8,696

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Contractual Arrangement

In 1991, the Institute entered into a contractual arrangement with Western Canada Testing Inc. (WCTI) for the use of a testing facility. Under the arrangement WCTI retains 10% or 22% of the contract price from members and non-members, respectively, as a service charge for the Institute's use of the testing facility. During the year, the Institute earned $869,459 (1999 - $1,062,547) net of WCTI retention from this arrangement and as at March 31, 2000, $253,354 (1999 - $268,274) is included in accounts receivable.

11. Budget

The budget for 1999/2000 was approved by the Board on March 29, 1999.

12. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

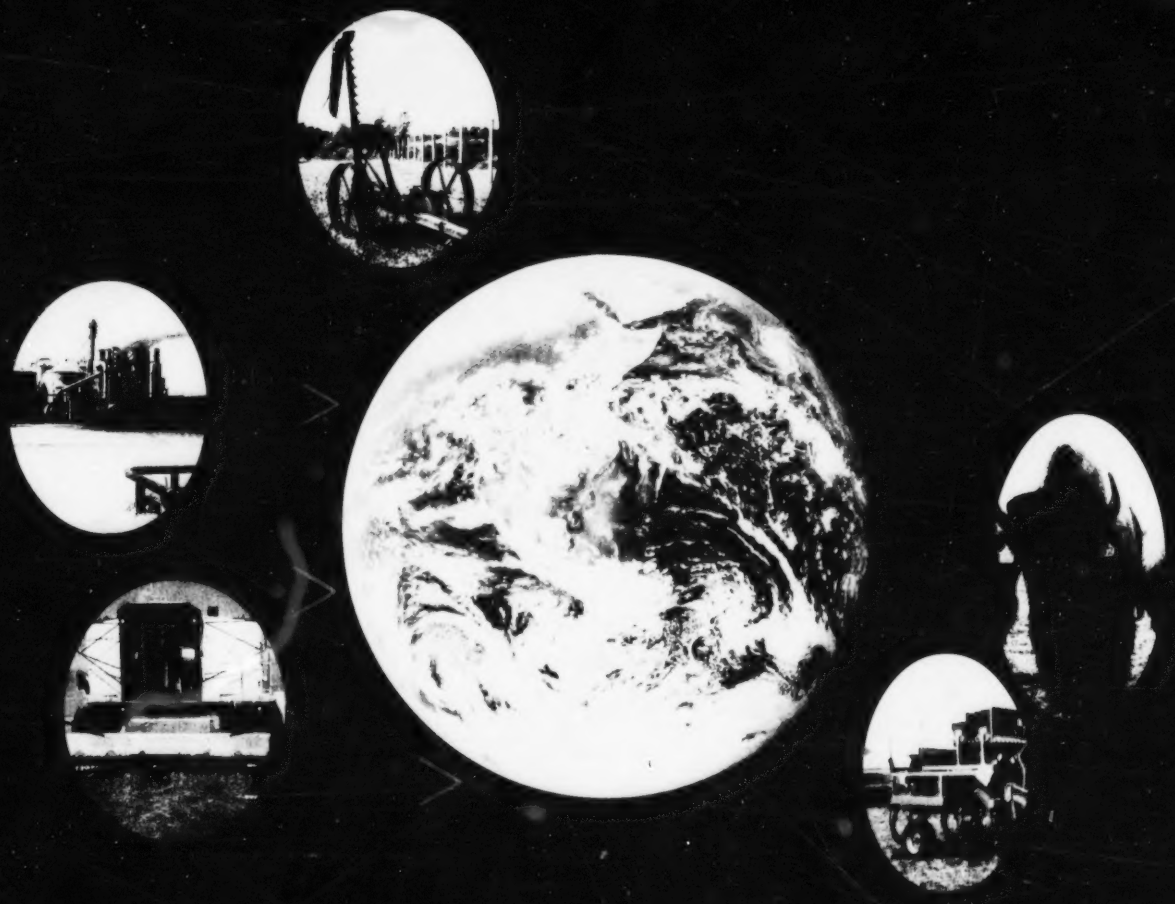
Schedule 1

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31

	2000	1999
Salaries	$ 2,064,656	$ 1,988,085
Travel and vehicle operations	296,846	478,586
Shop supplies	279,177	320,402
Contractual services	352,681	317,844
Employee benefits	277,355	279,296
Amortization expense	194,963	137,292
Insurance, licences and taxes	170,881	130,024
Repairs and maintenance - building and equipment	73,702	127,476
Stationery and office supplies	73,936	79,512
Utilities	86,323	75,613
Telephone	56,326	66,928
Computer services	51,246	41,259
Advertising and promotion	19,040	24,067
Professional and technical services	37,514	22,280
Reference material	22,310	14,545
Printing and binding	63,589	14,048
Rent - building and equipment	28,636	11,675
Interest expense	454	4,996
Other expense	2,826	4,223
Honoraria	1,198	880
Bad debt expense	2,067	15
	$ 4,155,726	$ 4,139,046

PAMI Board of Directors

Tom Lowes - Chairman, Agricultural Producer, Saskatchewan
Garvin Kabernick, Agricultural Producer, Manitoba
Larry Gutek, Saskatchewan Agriculture and Food
Jon Close, Prairie Implement Manufacturers Association
Dave Donaghy, Manitoba Agriculture and Food



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